WEEKLY FINANCIAL SERVICES REPUBLICAN ROUND-UP 5.7.2010

Democrats Cannot Ignore The Looming Fiscal Crisis That Will Inevitably Result From Their Out of Control Spending.

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As the sovereign debt crisis continues to rock Europe -- and begins to spill over into other markets - it is important that we learn the lessons of what happened to Greece after years of reckless spending, borrowing, and accounting gimmicks. We must take action to rein in the out of control spending by Democrats in Washington.

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The Congressional Budget Office (CBO) reported that the President's budget plan will increase the public debt to $20.3 trillion by 2020. In another recent report, CBO said Democrats have run up a $717 billion deficit in just the first five months of this fiscal year. These projections do not include the cost of Fannie Mae and Freddie Mac's bailout because the Democrats refuse to place them on the federal budget. This off balance sheet accounting gimmick is similar to the accounting shenanigans that Greece engaged in for decades.

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Many experts are sounding the alarm that action must be taken to address the nation's fiscal health. As Chairman Bernanke has recently admitted, "the federal budget appears set to remain on an unsustainable path." On May 6, Former Comptroller General David Walker told the Committee: "The U.S. is not in the same situation as Greece is today...However, we need to learn from the lessons of Greece and past history if we want to avoid a similar crisis of confidence in the future."

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We need to cut spending and get the deficits under control. However, the Administration and Democrats have punted this issue to a partisan commission, while continuing to engage in excessive spending and shifting losses from the private sector onto the backs of taxpayers.

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If Democrats cannot discipline their borrowing and spending, future generations will pay for today's poor fiscal planning.

The Era Of Taxpayer Bailouts Must End.

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Bailouts have defined the government's response to the financial crisis. Whether it was TARP, the auto bailouts, Fannie and Freddie or the backdoor bailout of AIG counterparties, taxpayers have been forced to pay for mistakes made by the private sector.

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The Democrats want to ensure permanent bailouts to benefit their political allies and Wall Street regardless of the cost. The Democrats have extended and expanded TARP-which was meant to be a temporary program to prevent a "doomsday" economic scenario-into a permanent bailout program. We need a new direction, one in which bailouts are no longer an option.

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However, one of the first actions by this Administration was to double the size of the bailout of Fannie and Freddie. This turned out to be just a prelude to the Administration's Christmas Eve 2009 announcement that it was lifting all restrictions on the use of government funds to prop up the GSEs, which now benefit from unlimited taxpayer support. Fannie and Freddie continue to hemorrhage billions of dollars. Freddie Mac reported $6.7 billion in losses for the first quarter of this year and requested $10.6 billion in taxpayer dollars. The Fannie and Freddie tab for taxpayers now stands at $138 billion.

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It is irresponsible to allow Fannie and Freddie to continue to draw on taxpayer dollars to fund their operations. Real reform of the GSEs is needed to address their future and cut their ties to taxpayers. Ending the bailouts, means winding down TARP, ending the bailout of Fannie and Freddie, and sending failed financial firms to an enhanced bankruptcy proceeding.

The Democrats' Financial Regulation Proposals Fail To Address The Causes Of the Financial Crisis.

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The Government Sponsored Enterprises (GSEs) were at the heart of the housing meltdown and financial crisis, but both the Senate and House Democrat regulatory reform bills fail to address the future of Fannie Mae and Freddie Mac. The House Democrat bill specifically excludes Fannie and Freddie from the new regulatory regime. Fannie and Freddie reform must be included in financial regulatory reform.

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Both House and Senate bills reward the Securities and Exchange Commission and the Federal Reserve-the two regulators that failed miserably to police the financial markets and address systemic risk in the period leading up to the crisis-with new powers and missions to oversee the market.

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We need real financial reform that addresses the root causes of the crisis and holds regulators accountable for using the tools already given to them by Congress to protect investors, consumers, and taxpayers.

ON THE HORIZON

Tuesday, May 11: The Oversight Subcommittee will meet for a TARP Oversight hearing at 11 am in room 2128 Rayburn. At 3 pm, the Capital Markets Subcommittee will convene for a hearing entitled, "The Stock Market Plunge: What Happened and What Is Next?" in room 2128 Rayburn.

Wednesday, May 12: The Financial Institutions Subcommittee will convene for a hearing entitled, "Use of Credit Information Beyond Lending: Issues and Reform Proposals" at 10 am in room 2128 Rayburn. At 2 pm, the Housing Subcommittee and the Oversight Subcommittee will hold a joint hearing entitled "Minorities and Women in Financial Regulatory Reform: The Need for Increasing Participation and Opportunities for Qualified Persons and Businesses" in room 2128 Rayburn.

WEEKEND MUST-READS

Wall Street Journal: "Fed Faults Its New York Office's Oversight of Big Banks ... The Federal Reserve Bank of New York has come under pressure from Fed officials in Washington to improve the performance of its supervisors overseeing the nation's biggest banks, new documents show."

Wall Street Journal: "Bernanke Warns of Small-Bank Risks ... Small U.S. banks will likely have to raise capital in the coming years, while bigger institutions are doing much better than a year ago, Federal Reserve Chairman Ben Bernanke said Thursday."

Washington Post: "Greece's debt crisis could spread across Europe ... A third straight day of decline in world financial markets on Thursday was vivid evidence of a scary proposition: That the fiscal crisis that began in Greece months ago is spreading across Europe like a virus, causing growing doubt even about the fates of nations with far more manageable levels of government debt."

Wall Street Journal: "Bair Warns Against New Curbs on Bank Trading ... Federal Deposit Insurance Corp. Chairman Sheila Bair has urged lawmakers to scrap a controversial Senate plan that would force banks to spin off their derivatives businesses, saying it could destabilize banks and drive risk into unregulated parts of the financial sector."

Wall Street Journal: "How to Avoid a 'Bailout Bill' ... It's good news there's now bipartisan agreement that the financial reform bill should not be a "bailout bill," and that amendments to Connecticut Sen. Chris Dodd's draft legislation are being proposed and debated with this agreement in mind."

Wall Street Journal: "What About Fan and Fred Reform? ... Congress may be making progress crafting new regulations for the financial-services industry, but it has yet to begin reforming two institutions that played a key role in the 2008 credit crisis-Fannie Mae and Freddie Mac."

Washington Times: "STORY: Bank regulations miss the point ... Modernizing the regulation of our financial institutions will play a critical role in restoring confidence in our financial system and facilitating the recovery of our national economy."

The Hill: "Dentists fear pain from finance reform ... Dentists are warning they may become unintended targets of legislation designed to overhaul Wall Street."

Politico: "Boost for labor in Wall St. bill ... For years, Democratic-backed labor unions have been trying to get behind enemy lines, so to speak, by helping to put more union-friendly representatives on corporate boards as a way to shape policies from the inside."

REPUBLICANS IN THE NEWS

Rep. Judy Biggert penned this op-ed: End bailouts: past, present and future

Rep. Jeb Hensarling issued this press release: Hensarling and Bachus Request Financial Services Hearing on TARP Oversight

Rep. Scott Garrett issued these penned these op-eds: The Dodd Bill Is Bad for Taxpayers, Democrats are taking the wrong approach to financial reform; and issued this press release: Garrett: Financial Markets Highlight Debt Concerns

Rep. Tom Price issued this press release: More Losses at Freddie Mac Means More Bailouts

Rep. Spencer Bachus issued these press releases: Bachus: Freddie Mac Losses Underscore Need To End Their Bailouts And Correct Chairman Frank; FACT CHECK: Chairman Barney Frank Calls for White House to Defend Fannie and Freddie; Bachus to the White House On Financial Reg Reform: Whose Side Are You On?; FACT CHECK: White House Falsely Claims Dodd Bill Ends "Too Big to Fail"; Bachus Requests 30 Days For American Public to Review Final Version of Senate's Financial Reform Legislation

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